APPENDIX A.

Judgment of the United States Court of Appeals for the Tenth Circuit.

MAY TERM, TUESDAY, JUNE 4TH, 1968.

Before Honorable Jean S. Breitenstein, Honorable Oliver Seth and Honorable John J. Hickey, Circuit Judges.

Well Surveys, Inc., now Dresser Systems, Inc., and Dresser Industries, Inc., Appellants, vs. Perfo-Log, Inc., Appellee. 9649.

Appeal from the United States District Court for the Western District of Oklahoma.

This cause came on to be heard on the transcript of the record from the United States District Court for the Western District of Oklahoma and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said district court is reversed and the case is remanded for trial on the merits.

It is further ordered that appellants have and recover of and from appellee their costs herein.

Costs of appellant:

Clerk: Flat Fee $25.00

[Seal]

Opinion of the United States Court of Appeals for the Tenth Circuit.

United States Court of Appeals, Tenth Circuit, No. 9649—May Term, 1968.

Well Surveys, Inc., now Dresser Systems, Inc. and Dresser Industries, Inc., Appellants, v. Perfo-Log, Inc., Appellee.

Appeal from the United States District Court for the Western District of Oklahoma.

Filed June 4, 1968.

Rufus S. Day, Jr. (Richard M. Donaldson, James A. Peabody, and Robert K. Schumacher were with him on the brief) for Appellants.

Welton B. Whann (W. D. Hart was with him on the brief) for Appellee.

Before BREITENSTEIN, SETH and HICKEY, Circuit Judges.

BREITENSTEIN, Circuit Judge.

Appellant-plaintiff Well Surveys, Inc.,[1] sued appellee-defendant Perfo-Log, Inc., for infringement of the Swift Patent No. 2,554,844 and the Peterson Patent No. 2,967,994. Perfo-Log denies infringement and asserts patent misuse as a defense. The trial court granted summary judgment for Perfo-Log on the ground of misuse of the Swift patent.

This litigation is an episode in the prolonged controversy between WSI and McCullough Tool Co. over the Swift patent. In McCullough Tool Co. v. Well

[1]Well Surveys, Inc., the original plaintiff, has changed its name to Dresser Systems, Inc., and has transferred the patents involved herein to its parent corporation, Dresser Industries, Inc. Herein the plaintiffs will be referred to as WSI.

Surveys, Inc., 343 F.2d 381, cert. denied 383 U.S. 933, we upheld the validity of the Swift patent and said that WSI had purged itself of misuse in 1956 by the adoption of different licensing practices. WSI brought further proceedings against McCullough which have been disposed of in our recently filed opinion Nos. 9426 and 9427, McCullough Tool Co. v. Well Surveys, Inc., ... F.2d ..... McCullough is admittedly assisting Perfo-Log in the present suit.

The Swift patent covers a system of measuring radiation from the earth formations around a well casing and, at the same time, locating the collars of the casing as a positive indication of the depth at which particular radiation is measured. The expiration date of the Swift patent is May 29, 1968.

The Peterson patent relates to a type of collar locator which can be used with the Swift system. It expires January 10, 1978. Various other collar locators can be used for the same purpose as Peterson.

Perfo-Log moved for summary judgment on the ground that WSI had misused the Swift patent. The motion was originally supported by 8 immunity agreements given by WSI to various well loggers. Sixty-five other immunity agreements were later filed. In opposition WSI submitted several affidavits to which reference will be made later. At the conclusion of the argument on Perfo-Log's motion, WSI requested permission to file a motion for partial summary judgment adjudicating the misuse issue in its favor. No objection was made and the court granted WSI permission to file.

The district court found that licensees under the immunity agreements could not terminate until after the expiration of the Swift patent; and that there was no provision for change in royalty base or for diminution in royalty after the expiration of the Swift patent. On the basis of these findings the court held that WSI had misused the Swift patent and granted the Perfo-Log motion for summary judgment. The WSI motion for partial summary judgment was denied.

The courts withhold aid to a party who has used his patent right contrary to the public interest.[2] A patentee is not entitled to continue to receive "the benefit of an expired monopoly."[3] In our first McCullough decision we reviewed the principle of misuse and the package licensing of patents. We concluded that package licensing was not misuse in the absence of coercion and said:[4]

> "* * * in order to constitute a misuse, there must be an element of coercion, such as where there has been a request by a prospective licensee for a license under less than all of the patents and a refusal by the licensor to grant such a license."

In the second McCullough decision[5] we considered claims that WSI had misused its patents through monop-

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[2]Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 492.

[3]See Scott Paper Co. v. Marcalus Manufacturing Co., 326 U.S. 249, 257.

[4]McCullough Tool Co. v. Well Surveys, Inc., 10 Cir., 343 F. 2d 381, 408, cert. denied 383 U.S. 933.

[5]McCullough Tool Co. v. Well Surveys, Inc., 10 Cir.,..... F.2d ....., opinion filed May 16, 1968.

olization of the well-logging industry, improper extension of its patent monopoly, and unfounded infringement threats and litigation. We held that the showing made was insufficient to establish a change in the licensing practices which we approved in the first McCullough decision and rejected the claims of misuse.

With this background we come to the case at bar. Perfo-Log says that the licenses which it submitted in support of a summary judgment motion establish per se a misuse of the Swift patent. Prime reliances is had on eight agreements which covered both the Swift and the Peterson patents. These agreements were not terminable at the will of the licensee until the lapse of varying periods after the expiration of the Swift patent. The uniform royalty rate of 5% was not diminished after the expiration of Swift. The royalty provision reads thus:

> "3.02 Company agrees to pay DII [WSI] as royalty on each Radioctivity Well Surveying operation conducted by Company, which, if unlicensed, would infringe the Patent Rights of DII [WSI] during the term of this agreement an amount equal to five per cent (5%) of the gross charge (exclusive of mileage) made for the survey so conducted or a sum of ten dollars ($10.00), whichever is greater."

The literal language does not exact a royalty on an expired patent because payment is required only for op-

erations which infringe a patent right of WSI. There can be no infringement of an expired patent.[6]

Although the royalty rate does not change, the base for that rate changes because after the expiration of Swift, no royalty is payable unless the Peterson patent is used in the logging operations. The lack of diminution in royalty rate for the use of Peterson without Swift and the provisions for termination do not of themselves establish coercion. The question is whether the licensee was forced to enter into a package arrangement. Perfo-Log offered nothing on this point but relied on the agreements. WSI submitted the affidavits of two officers to show a continuation of the license practices approved in our first McCullough decision. One of the affidavits stated:

> "Every prospective licensee was offered a license under any of the radioactivity well surveying patents of Dresser Industries, Inc. and/or Well Surveys, Inc. which it desired, individually or collectively, upon negotiated reasonable terms. No licensee or prospective licensee was ever coerced to pay royalty on or for any operations covered by any expired patent."

To support its argument that the licenses per se establish patent misuse, Perfo-Log relies on the decision in Rocform Corp. v. Acitelli-Standard Concrete Wall, Inc., 6 Cir., 367 F.2d 678. That case concerned patents, one of which was of basic importance, for pouring con-

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[6]Atlas-Pacific Engineering Co. v. Geo. W. Ashlock Co., 9 Cir., 339 F.2d 288, 289, note 1, cert. denied 382 U.S. 842.

crete basement walls. The license agreement covered several patents and provided no royalty reduction after the expiration of the basic patent. The Sixth Circuit held that the lack of diminution in royalty and the absence of an appropriate termination clause established misuse. One judge dissented on the basis of our first McCullough decision. Id. at 682. In its statement of facts the Sixth Circuit said that Rocform offered to license only under its standard package agreement. In the case at bar, the affidavits submitted by WSI show a willingness to license any or all patents under reasonable, negotiated terms. If the Rocform decision is taken as holding that a package license, including both important and unimportant patents, is misuse per se when there is no diminution in royalty, or provision for termination, after the expiration of an important patent, we respectfully disagree and adhere to our decision in the first McCullough case. The relative importance of patents has no significance if a licensee is given the choice to take a patent alone or in combination on reasonable terms. Freedom of choice is the controlling question.[7]

Perfo-Log argues that the district judge drew a permissible inference of misuse from the licenses and that under United States v. United States Gypsum Co., 333 U.S. 364, 394, this inference is binding on the appellate court unless clearly erroneous. The difficulty is that

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[7]We find nothing in Hazeltine Research, Inc. v. Zenith Radio Corp., 7 Cir., 388 F.2d 25, that conflicts with our conclusions. It is there recognized that economic coercion must be shown.

the inference was drawn on a motion for summary judgment. In such a situation "the inferences to be drawn from the underlying facts * * * must be viewed in the light most favorable to the party opposing the motion."[8] Here the inference runs contrary to the uncontroverted showing by WSI that it offered to license any or all of its patents on reasonable, negotiated terms. In such circumstances the inference is not controlling. At the most it establishes a genuine issue as to a material fact and, under the provisions of Rule 56(c), F.R.Civ.P., precludes the grant of a summary judgment.

WSI urges that summary judgment on the misuse issue should have been given in its favor. Although we are convinced that the showing by WSI's affidavit of readiness to license any or all of its patents on reasonable terms is sufficient to defeat the Perfo-Log motion for summary judgment, we cannot say that such showing entitles WSI to the relief it seeks. The fact finder must weigh the provisions of the license agreements against the facts surrounding the grant of those licenses. In our opinion this is not a case for the use of the summary judgment procedure.

The judgment is reversed and the case is remanded for trial on the merits.

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[8]United States v. Diebold, Inc., 369 U.S. 654, 655. See also Frey v. Frankel, 10 Cir., 361 F.2d 437, 442.

Findings of Fact and Conclusions of Law, District Court, W. D. Oklahoma, No. 9542.

District Court, W. D. Oklahoma.

Well Surveys, Inc., et al. v. Perfo-Log, Inc. No. 9542. Decided June 26, 1967.

CHANDLER, Chief Judge.

FINDINGS OF FACT

1. Plaintiff Well Surveys, Inc., now Dresser Systems, Inc., is a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and has a place of business at Tulsa, Oklahoma, and since April 27, 1964, has had its principal place of business at Houston, Texas.

2. Plaintiff Dresser Industries, Inc. is a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, has its principal place of business at Dallas, Texas and is the lawful owner of the claims asserted herein by Well Surveys, Inc., now Dresser Systems, Inc. Plaintiffs will be referred to collectively herein as "Plaintiff."

3. Defendant Perfo-Log, Inc. is a corporation duly organized and existing under and by virtue of the laws of the State of Oklahoma, and has a regular and established place of business at Norman, Oklahoma.

4. This action arises under the Patent Law of the United States, Title 35 U.S.C. Section 271 and jurisdiction is founded upon Title 28 U.S.C. Section 1338.

5. On May 29, 1951, United States Patent No. 2,554,844 (hereinafter "The Swift Patent") for Casing Collar Locator was issued to plaintiff as the assignee of Lawrence M. Swift.

6. On January 10, 1961, United States Patent No. 2,967,994 (hereinafter "The Peterson Patent") for Casing Joint Locator was issued to plaintiff as the assignee of Glen Peterson.

7. The Swift Patent will expire on May 29, 1968.

8. The Peterson Patent will expire on January 10, 1978.

9. The Swift Patent is an important and crucial patent which covers a system for making a combination radioactivity and casing collar log.

10. The Peterson Patent is an unimportant patent which covers a specific form of casing collar locator, i.e. a casing collar locator which includes two coils and one magnet.

11. Effective December 1, 1963, plaintiff and Jetco, Inc. (hereinafter "Jetco") executed an immunity agreement.

12. Effective January 1, 1964, plaintiff and Star Jet Oil Well Service, Inc. (hereinafter "Star") executed an immunity agreement.

13. Effective February 1, 1964, plaintiff and Lewis L. French, d/b/a French Well Surveys (hereinafter "French") executed an immunity agreement.

14. Effective February 24, 1964, plaintiff and Luling Perforators, Inc. (hereinafter "Luling") executed an immunity agreement.

15. Effective July 1, 1964, plaintiff and Maroney Electrical Well Service, Inc. (hereinafter "Maroney") executed an immunity agreement.

16. Effective August 1, 1964, plaintiff and Petroleum Surveys Corporation (hereinafter "Petroleum") executed an immunity agreement.

17. Effective October 1, 1964, plaintiff and Shelwell Services, Inc. (hereinafter "Shelwell") executed an immunity agreement.

18. Effective March 1, 1965, plaintiff and Titan Perforators, Inc. (hereafter "Titan") executed an immunity agreement.

19. The agreements between plaintiff and Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan cover only the Swift Patent and the Peterson Patent.

20. Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan cannot terminate their agreements with plaintiff until after the Swift Patent expires. Paragraph 4.02 provides:

> *"Company may terminate this Agreement as of the fifth anniversary date hereof* or as of any successive anniversary date thereafter by giving WSI written notice of cancellation at least sixty (60) days prior to the anniversary date on which cancellation is to take effect." (Emphasis Added)

21. Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan are obligated to pay accrued royalties to plaintiff after the Swift Patent expires. Paragraph 4.04 provides:

> *"Termination of this Agreement shall not affect the obligations of Company to make any payments which shall have accrued up to the date of such termination,* and the fact that WSI shall not have terminated this Agreement pursuant to Section 4.01 because of one or more defaults by Company shall not prejudice the right of WSI to effect termination for a continuing or subsequent default." (Emphasis Added)

22. Plaintiff has no right to terminate its agreement with Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan unless they breach their agreements and fail to cure the breach within sixty (60) days after notice from plaintiff. Paragraph 4.01 provides:

> "If Company shall neglect or fail to render reports and make payments as and when due hereunder or shall otherwise be in default of any obligation under this Agreement, WSI shall have the right to give written notice thereof to Company, and if within sixty (60) days from and after the date of such notice Company shall not have cured such default, then WSI may, at its option, cause this Agreement to terminate forthwith by giving written notice to that effect to Company."

23. The term of the aggreements between plaintiff and Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan, unless terminated in accordance with Findings of Fact Nos. 20 and 22, is from the effective date of each agreement to the expiration of the Peterson Patent on January 10, 1978. Paragraph 4.03 provides:

> "Unless otherwise terminated pursuant to the provisions hereof, this Agreement shall continue in full force and effect until the expiration date of the last patent to expire under which Company is granted immunity by this Agreement."

24. Jetco, Star, French, Luling, Maroney, Petroleum, Shelwel and Titan, are obligated to pay plaintiff a royalty of five percent (5%) of the gross charge (exclusive of mileage) or a sum of ten dollars ($10.00),

whichever is greater, for each Radioactivity Well Surveying operation conducted during the term of the agreements. Paragraph 3.02 provides:

> "Company agrees to pay WSI as royalty on each Radioactivity Well Surveying operation conducted by Company, which, if unlicensed, would infringe the Patent Rights of WSI during term of this agreement an amount equal to five percent (5%) of the gross charge (exclusive of mileage) made for the survey so conducted or a sum of ten dollars ($10.00), whichever is the greater."

25. The agreements between plaintiff and Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan do not provide for a change in the royalty base at the expiration of the Swift Patent on May 28, 1968.

26. The agreements between plaintiff and Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan do not provide for the diminution of royalty at the expiration of the Swift Patent on May 28, 1968.

27. The agreements between plaintiff and Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan do not provide that royalty is no longer payable under the Swift Patent at the expiration of the Swift Patent on May 28, 1968.

28. License agreements granted by plaintiff which cover only the Swift Patent require the payment of a royalty of five percent (5%) of the gross charge (exclusive of mileage) or ten dollars ($10.00), whichever is greater.

29. License agreements granted by plaintiff which cover the Swift Patent and the Peterson Patent require the payment of a royalty of five percent (5%) of the

gross charge (exclusive of mileage) or ten dollars ($10.00), whichever is greater.

30. License agreements granted by plaintiff which cover the Swift Patent and Patent No. 2,810,076, require the payment of a royalty of five percent (5%) of the gross charge (exclusive of mileage) or ten dollars ($10.00) whichever is greater.

31. License agreements granted by plaintiff which cover the Swift Patent, the Peterson Patent and Patent No. 2,810,076, require the payment of a royalty of five percent (5%) of the gross charge (exclusive of mileage) or ten dollars ($10.00) whichever is greater.

a. Effective July 1, 1963, plaintiff and J. M. Barnes and H. H. Hartman, a partnership, d/b/a Goes Perforating and Logging (hereinafter "Goes") executed an immunity agreement.

b. Effective January 1, 1965, plaintiff and Rector Oil Well Services, Inc. (hereafter "Rector") executed an immunity agreement.

c. Effective April 15, 1965, plaintiff and Mustang Electrical Services, Inc. (hereafter "Mustang") executed an immunity agreement.

d. The agreements between plaintiff and Goes, Rector, and Mustang cover only the Swift Patent, and Peterson Patent and the Mardock Patent No. 2,810,076 (hereinafter "The Mardock Patent").

e. On October 15, 1957, the Mardock Patent was issued to plaintiff.

f. The Mardock Patent will expire on October 15, 1974.

g. The Mardock Patent is an unimportant patent which covers a system of radioactive tracer logging.

h. Goes, Rector and Mustang cannot terminate their agreements with plaintiff until after the Swift Patent expires. Paragraph 4.02 provides:

> *"Company may terminate this Agreement as of the fifth anniversary date hereof* or as of any successive anniversary date thereafter by giving WSI written notice of cancellation at least sixty (60) days prior to the anniversary date on which cancellation is to take effect."

i. Goes, Rector and Mustang are obligated to pay accrued royalties to plaintiff after the Swift Patent expires. Paragraph 4.04 provides:

> *"Termination of this agreement shall not affect the obligations of Company to make any payments which shall have accrued up to the date of such termination,* and the fact that WSI shall not have terminated this Agreement pursuant to Section 4.01 because of one or more defaults by Company shall not prejudice the right of WSI to effect termination for a continuing or subsequent default."

j. Plaintiff has no right to terminate its Agreement with Goes, Rector and Mustang unless they breach their agreements and fail to cure the breach within sixty (60) days after notice from plaintiff. Paragraph 4.01 provides:

> "If Company shall neglect or fail to render reports and make payments as and when due hereunder or shall otherwise be in default of any obligation under this Agreement, WSI shall have the right to give written notice thereof to Company,

and if within sixty (60) days from and after the date of such notice Company shall not have cured such default, then WSI may, at its option, cause this Agreement to terminate forthwith by giving written notice to that effect to Company."

k. The term of the agreements between plaintiff and Goes, Rector and Mustang unless terminated in accordance with Findings of Facts Nos. i. and k. is from the effective date of each agreement to the expiration of the Peterson Patent on January 10, 1968. Paragraph 4.03 provides:

"Unless otherwise terminated pursuant to the provisions hereof, this Agreement shall continue in full force and effect until the expiration date of the last patent to expire under which Company is granted immunity by this Agreement."

1. Goes, Rector and Mustang are obligated to pay plaintiff a royalty of five percent (5%) of the gross charge (exclusive of mileage) or a sum of ten dollars ($10.00) whichever is greater, for each Radioactivity Well Surveying operation conducted during the term of the agreements. Paragraph 3.02 provides:

"Company agrees to pay WSI as royalty on each Radioactivity Well Surveying operation conducted by Company, which, if unlicensed, would infringe the Patent Rights of WSI during term of this agreement an amount equal to five percent (5%) of the gross charge (exclusive of mileage) made for the survey so conducted or a sum of ten dollars ($10.00) whichever is the greater."

m. The agreements between plaintiff and Goes, Rector and Mustang do not provide for a change in the

royalty base at the expiration of the Swift Patent on May 28, 1968.

n. The agreements between plaintiff and Goes, Rector and Mustang do not provide for a change in the royalty base at the expiration of the Mardock Patent on October 15, 1974.

o. The agreements between plaintiff and Goes, Rector and Mustang do not provide for the diminution of royalty at the expiration of the Swift Patent on May 28, 1968.

p. The agreements between plaintiff and Goes, Rector and Mustang do not provide for the diminution of royalty at the expiration of the Mardock Patent on October 15, 1974.

q. The agreements between plaintiff and Goes, Rector and Mustang do not provide that royalty is no longer payable under the Swift Patent at the expiration of the Swift Patent on May 28, 1968.

r. The agreements between plaintiff and Goes, Rector and Mustang do not provide that royalty is no longer payable under the Mardock Patent at the expiration of the Mardock Patent on October 15, 1974.

32. License agreements granted by plaintiff which cover the Swift Patent, the Peterson Patent and Patent No. 2,942,112 require the payment of a royalty of five percent (5%) of the gross charge (exclusive of mileage) or ten dollars ($10.00) whichever is greater.

33. License agreements granted by plaintiff which cover the Swift Patent, the Peterson Patent and Patent Nos. 2,810,076 and 2,942,112, require the payment of a royalty of five percent (5%) of the gross charge (ex-

clusive of mileage) or ten dollars ($10.00) whichever is greater.

a. Effective June 9, 1965, plaintiff and Eastern Wireline Surveys, Inc. (hereinafter "Eastern") executed an immunity agreement.

b. The agreement between plaintiff a[nd] Eastern covers only the Swift Patent, the Peterson Patent, the Mardock Patent, and the Hearn Patent No. 2,942,112 (hereinafter "The Hearn Patent").

c. On June 21, 1960, the Hearn Patent was issued to plaintiff.

d. The Hearn Patent will expire on June 21, 1977.

e. The Hearn Patent is an unimportant patent which covers a method for applying subsurface signals to the well logging cable.

f. Eastern cannot terminate its agreement with plaintiff until after the Swift Patent expires. Paragraph 4.02 provides:

> *"Company may terminate this Agreement as of the fifth anniversary date hereof* or as of any successive anniversary date thereafter by giving WSI written notice of cancellation at least sixty (60) days prior to the anniversary date on which cancellation is to take effect." (Emphasis Added)

g. Eastern is obligated to pay accrued royalties to plaintiff after the Swift Patent expires: Paragraph 4.04 provides:

> *"Termination of this Agreement shall not affect the obligations of Company to make any payments which shall have accrued up to the date of such termination,* and the fact that WSI shall not

have terminated this Agreement pursuant to Section 4.01 because of one or more defaults by Company shall not prejudice the right of WSI to effect termination for a continuing or subsequent default." (Emphasis Added)

h. Plaintiff has no right to terminate its Agreement with Eastern unless it breaches its agreement and fails to cure the breach within sixty (60) days after notice from plaintiff. Paragraph 4.01 provides:

"If Company shall neglect or fail to render reports and make payments as and when due hereunder or shall otherwise be in default of any obligation under this Agreement, WSI shall have the right to give written notice thereof to Company, and if within sixty (60) days from and after the date of such notice Company shall not have cured such default, then WSI may, at its option, cause this Agreement to terminate forthwith by giving written notice to that effect to Company."

i. The term of the agreement between plaintiff and Eastern unless terminated in accordance with Findings of Fact Nos. f. and h., is from the effective date of the agreement to the expiration of the Peterson Patent on January 10, 1978. Paragraph 4.03 provides:

"Unless otherwise terminated pursuant to the provisions hereof, this Agreement shall continue in full force and effect until the expiration date of the last patent to expire under which Company is granted immunity by this Agreement."

j. Eastern is obligated to pay plaintiff a royalty of five percent (5%) of the gross charge (exclusive of

mileage) or a sum of ten dollars ($10.00), whichever is greater, for each Radioactivity Well Surveying operation conducted during the term of the agreement. Paragraph 3.02 provides:

> "Company agrees to pay WSI as royalty on each Radioactivity Well Surveying operation conducted by Company, which, if unlicensed, would infringe the Patent Rights of WSI during term of this agreement an amount equal to five percent (5%) of the gross charge (exclusive of mileage) made for the survey so conducted or a sum of ten dollars ($10.00) whichever is the greater."

k. The agreement between plaintiff and Eastern does not provide for a change in the royalty base at the expiration of the Swift Patent on May 28, 1968.

l. The agreement between plaintiff and Eastern does not provide for a change in the royalty base at the expiration of the Mardock Patent on October 15, 1974.

m. The agreement between plaintiff and Eastern does not provide for a change in the royalty base at the expiration of the Hearn Patent on June 21, 1977.

n. The agreement between plaintiff and Eastern does not provide for the diminution of royalty at the expiration of the Swift Patent on May 28, 1968.

o. The agreement between plaintiff and Eastern does not provide for the diminution of royalty at the expiration of the Mardock Patent on October 15, 1974.

p. The agreement between plaintiff and Eastern does not provide for the diminution of royalty at the expiration of the Hearn Patent on June 21, 1977.

q. The agreement between plaintiff and Eastern does not provide that royalty is no longer payable under the Swift Patent at the expiration of the Swift Patent on May 28, 1968.

r. The agreement between plaintiff and Eastern does not provide that royalty is no longer payable under the Mardock Patent at the expiration of the Mardock Patent on October 15, 1974.

s. The agreement between plaintiff and Eastern does not provide that royalty is no longer payable under the Hearn Patent at the expiration of the Hearn Patent on June 21, 1977.

34. License agreements granted by plaintiff which cover the Swift Patent, the Peterson Patent and Patent Nos. 2,933,609 and 2,945,129, require the payment of a royalty of five percent (5%) of the gross charge (exclusive of mileage) or ten dollars ($10.00) whichever is greater.

35. License agreements granted by plaintiff which cover the Swift Patent, the Peterson Patent and Patent Nos. 2,810,076, 2,933,609 and 2,942,112, require the payment of a royalty of five percent (5%) of the gross charge (exclusive of mileage) or ten dollars ($10.00) whichever is greater.

a. Effective January 1, 1964, plaintiff and Go Electronics Surveys, Inc. (hereinafter "Go") executed an immunity agreement.

b. The agreement between plaintiff and Go covers the Swift Patent, the Peterson Patent, the Mardock Patent, the Hearn Patent and the Norelius Patent No. 2,933,609 (hereinafter "The Norelius Patent").

c. On April 19, 1960, the Norelius Patent was issued to plaintiff.

d. The Norelius Patent will expire on April 19, 1978.

e. The Norelius Patent is an unimportant patent which covers a method of multi-space neutron logging.

f. Go cannot terminate its agreement with plaintiff until after the Swift Patent expires. Paragraph 4.02 provides:

> *"Company may terminate this Agreement as of the fifth anniversary date hereof* or as of any successive anniversary date thereafter by giving WSI written notice of cancellation at least sixty (60) days prior to the anniversary date on which cancellation is to take effect." (Emphasis Added)

g. Go is obligated to pay accrued royalties to plaintiff after the Swift Patent expires. Paragraph 4.04 provides:

> *"Termination of this agreement shall not affect the obligations of Company to make any payments which shall have accrued up to the date of such termination,* and the fact that WSI shall not have terminated this Agreement pursuant to Section 4.01 because of one or more defaults by Company shall not prejudice the right of WSI to effect termination for a continuing or subsequent default." (Emphasis Added)

h. Plaintiff has no right to terminate its Agreement with Go unless it breaches its agreement and

fails to cure the breach within sixty (60) days after notice from plaintiff. Paragraph 4.01 provides:

> "If Company shall neglect or fail to render reports and make payments as and when due hereunder or shall otherwise be in default of any obligation under this Agreement, WSI shall have the right to give written notice thereof to Company, and if within sixty (60) days from and after the date of such notice Company shall not have cured such default, then WSI may, at its option, cause this Agreement to terminate forthwith by giving written notice to that effect to Company."

i. The term of the agreement between plaintiff and Go unless terminated in accordance with Findings of Fact Nos. f. and h., is from the effective date of the agreement to the expiration of the Peterson Patent on January 10, 1978. Paragraph 4.03 provides:

> "Unless otherwise terminated pursuant to the provisions hereof, this Agreement shall continue in full force and effect until the expiration date of the last patent to expire under which Company is granted immunity by this Agreement."

j. Go is obligated to pay plaintiff a royalty of five percent (5%) of the gross charge (exclusive of mileage) or a sum of ten dollars ($10.00) whichever is greater, for each Radioactivity Well Surveying operation conducted during the term of the agreement. Paragraph 3.02 provides:

> "Company agrees to pay WSI as royalty on each Radioactivity Well Surveying operation conducted by Company, which, if unlicensed, would infringe the Patent Rights of WSI during term of

this agreement an amount equal to five percent (5%) of the gross charge (exclusive of mileage) made for the survey so conducted or a sum of ten dollars ($10.00) whichever is greater.

k. The agreement between plaintiff and Go does not provide for a change in the royalty base at the expiration of the Swift Patent on May 28, 1968.

l. The agreement between plaintiff and Go does not provide for a change in the royalty base at the expiration of the Mardock Patent on October 15, 1974.

m. The agreement between plaintiff and Go does not provide for a change in the royalty base at the expiration of the Hearn Patent on June 21, 1977.

n. The agreement between plaintiff and Go does not provide for a change in the royalty base at the expiration of the Norelius Patent on April 19, 1977.

o. The agreement between plaintiff and Go does not provide for the diminution of royalty at the expiration of the Swift Patent on May 28, 1968.

p. The agreement between plaintiff and Go does not provide for the diminution of royalty at the expiration of the Mardock Patent on October 15, 1974.

q. The agreement between plaintiff and Go does not provide for the diminution of royalty at the expiration of the Hearn Patent on June 21, 1977,

r. The agreement between plaintiff and Go does not provide for the diminution of royalty at the expiration of the Norelius Patent on April 19, 1977.

s. The agreement between plaintiff and Go does not provide that royalty is no longer payable under the

Swift Patent at the expiration of the Swift Patent on May 28, 1968.

t. The agreement between plaintiff and Go does not provide that royalty is no longer payable under the Mardock Patent at the expiration of the Mardock Patent on October 15, 1974.

u. The agreement between plaintiff and Go does not provide that royalty is no longer payable under the Hearn Patent at the expiration of the Hearn Patent on June 21, 1977.

v. The agreement between plaintiff and Go does not provide that royalty is no longer payable under the Norelius Patent at the expiration of the Norelius Patent on April 19, 1977.

36. The Swift Patent issued on a United States Application filed in the United States Patent Office before January 1, 1961.

37. The Peterson Patent issued on a United States Application filed in the United States Patent Office before January 1, 1961.

38. License agreements granted by plaintiff which cover all United States Patents owned by plaintiff issued on applications filed in the United States Patent Office on or prior to January 1, 1961, including the Swift Patent and the Peterson Patent, require the payment of a royalty of five percent (5%) of the gross charge (exclusive of mileage) or ten dollars ($10.00) whichever is greater.

39. Plaintiff has offered to grant license agreements which cover all United States Patents owned by plaintiff issued on applications filed in the United

States Patent office on or prior to January 1, 1961, including the Swift Patent and the Peterson Patent which require the payment of a royalty of five percent (5%) of the gross charge (exclusive of mileage) or ten dollars ($10.00) whichever is greater.

40. No license agreement granted by plaintiff which covers only the Swift Patent requires the payment of a royalty less than five percent (5%) of the gross charge (exclusive of mileage) or ten dollars ($10.00), whichever is greater.

CONCLUSIONS OF LAW

1. A patentee will be denied relief where he is using his patent to subvert public policy. Morton Salt Co. v. G. S. Suppiger Co. (U.S. 1942), 314 U.S. 488, 492 and 494, 52 USPQ 30, 32 and 33.

2. Plaintiff by its licensing practices is using the Swift Patent to subvert public policy.

3. A patentee who recaptures or attempts to recapture any part of an expired patent is guilty of misuse. Scott Paper Co. v. Marcalus Co. (U.S. 1945), 326 U.S. 249, 256 and 257, 67 USPQ 193, 196 and 197; Burlotte v. Thys Co. (U.S. 1964), 143 USPQ 264, 266.

4. Plaintiff is guilty of misuse because, by its licensing practices, it has attempted to recapture the Swift Patent after its expiration.

5. A package license agreement which provides that that agreement shall continue in full force and effect until the expiration date of the last patent to expire under which the license is granted, constitutes patent misuse because it extends the payment of royalties under

patents which will expire to the expiration date of patents which will expire later. Baker-Cammack Hosiery Mills v. Davis Co. (C.A. 4, 1950), 181 F.2d 550, 569 and 573, 85 USPQ 94, 110 and 113; American Securit Co. v. Shatterproof Glass Corp. (C.A. 3, 1959), 268 F.2d 769, 777, 122 USPQ 167, 173-174; Technograph Printed Circuits Ltd. v. Bendix Aviation Corp. (D.C. Md. 1963), 218 F.Supp. 1, 48, 49, 137 USPQ 725, 762, 763.

6. The agreements between plaintiff and Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan which provide that said agreements shall continue in full force and effect until the expiration date of the last patent to expire under which Company is granted immunity by said agreements, constitute misuse of the Swift Patent because they extend the payment of royalties under the Swift Patent to expiration date of the Peterson Patent.

7. A license agreement when it contains no diminution of license fee at the expiration of the most important patent and contains no termination clause at the will of the licensee constitutes in effect an effort to continue to collect royalties on an expired patent. Rocform Corp. v. Acitelli-Standard Concrete Wall Inc. (C.A. 6, 1966), 367 F.2d 678, 680 and 681, 151 USPQ 305, 307, 308.

8. An agreement which accords the licensee no right to terminate until after the expiration date of the most important patent is tantamount (at least as to the period between the expiration date of the most important patent and the date the licensee has the right to terminate) to an agreement which contains no termination clause at the will of the licensee.

9. The license agreements between plaintiff and Jetco, Star, French, Luling, Maroney, Petroleum, Shelwell and Titan constitute in effect an effort to continue to collect royalties on the Swift Patent after its expiration between said agreements contain no diminution of license fee at the expiration of the important Swift Patent and contain no termination clause at the will of the licensee.

10. License agreements, which require the non-differential royalty of five percent of the gross charge (exclusive of mileage) or the sum of ten dollars ($10.00) whichever is greater, for the Swift Patent only, for the Swift Patent plus one patent, for the Swift Patent plus two patents, for the Swift Patent plus three patents, for the Swift Patent plus four patents, for the Swift Patent plus all patents owned by plaintiff, are not voluntary on the part of licensees and said licensees were not offered a real alternative by plaintiff's offer to grant a license under any individual patent or patents upon negotiated terms.

11. Licensees are not offered, by plaintiff, licenses under any or all of plaintiff's patents in the field of radioactivity well surveying at a reasonable royalty rate that depends upon the patent or patents selected by them as required by their operations where the licenses granted by plaintiff required the payment of the non-differential royalty of five percent of the gross charge (exclusive of mileage) or ten dollars ($10.00) whichever is greater, irrespective of whether the licenses cover the Swift Patent only, the Swift Patent plus one patent, the Swift Patent plus two patents, the Swift Patent plus three patents, the Swift Patent plus four patents or the Swift Patent plus all patents owned by plaintiff.

JUDGMENT

Now on this 26th day of June, 1967, defendant's Motion for Summary Judgment seeking an adjudication that Swift Patent No. 2,554,844 is unenforceable because of misuse, and plaintiffs' counter motion having been heretofore briefed and orally presented, and the Court, being fully advised, finds that there is no genuine issue of material fact on the issues raised by said motions and that the defendant is entitled to a summary judgment as a matter of law.

It is therefore ordered and decreed that:

1. Plaintiffs' Motion for Summary Judgment is denied.

2. Defendant's Motion for Summary Judgment is granted.

3. Swift Patent No. 2,554,844 is unenforceable because of misuse by plaintiffs in licensing practices.

4. Plaintiffs shall have and recover nothing by reason of their claim that defendant has infringed Swift Patent No. 2,554,844.

5. There is no just reason for delay in the entry hereof and entry is hereby expressly directed.